

# METRO COUNCIL

## Work Session Worksheet

**PRESENTATION DATE:** July 31, 2018      **LENGTH:** 45 minutes

**PRESENTATION TITLE:** Wet Waste Tonnage Allocation

**DEPARTMENT:** Property and Environmental Services

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### WORK SESSION PURPOSE AND DESIRED OUTCOMES

The purpose of this work session discussion is for the Metro Council to understand how the region's wet waste tonnage is proposed to be allocated to private transfer stations, starting in 2020, and provide staff with direction on whether to proceed with the proposed approach, including consideration of four enhancements to the process.

### TOPIC BACKGROUND AND FRAMING THE WORK SESSION DISCUSSION

Oregon law (ORS 268.300 *et. seq.*) provides Metro with exclusive authority over the transfer and disposal of waste that is generated within its jurisdictional boundary. Metro exercises its broad legal authority to meet the following public benefits:

- Protect the public's health
- Protect the environment
- Get good value for the public's money
- Keep our commitment to the highest and best use of materials
- Be adaptable and responsive in managing materials
- Ensure services are accessible to all types of customers

The Metro region has had a "hybrid" mix of transfer stations that are privately and publicly owned since 1983, when Metro first began operating Metro South. Metro Central was opened in 1991 in anticipation of the closure the St. Johns Landfill and the need to haul wet waste long distances for disposal. Today there are five privately owned and two publicly owned stations transferring wet waste generated from within Metro's jurisdictional boundary. Two transfer stations located outside the region receive small volumes of wet waste that is generated inside the region. The Metro Council reaffirmed this basic system through the adoption of its Transfer System Configuration Policy in July 2016 (Resolution No. 16-4716). The policy required that by 2020 Metro will:

1. Establish tonnage allocations in percentages so that all allocations change proportionally as regional tonnage rises or falls;
2. Establish a predictable and transparent framework for adjusting tonnage allocations that Council could adopt as a policy;
3. Promote more efficient off-route travel to reduce greenhouse gases and minimize travel time;
4. Accommodate future changes and new technology;
5. Support small businesses;
6. Utilize the regional transfer system and require that all landfill-bound waste use the region's transfer stations; and
7. Improve rate transparency at public and private stations.

In addition, the Metro Council agreed that *no less* than 40 percent of the region's wet waste tonnage must flow to the two publicly owned transfer stations in order to ensure, among other things that Metro can offer necessary services to the public, such as seven-day-a-week self-haul service, that other stations have not provided. By providing transfer services, Metro also serves as a rate benchmark for other stations in the system as well as for local governments during their rate setting process. The Metro Council also agreed that *no more* than 40 percent of the region's wet waste would be transferred by any single company in order to enable more companies to participate in the transfer system.

The Transfer System Configuration Policy was developed with extensive waste industry input and SWAAC review in preparation for developing a more systematic process to the allocation and management of Metro's wet waste after the current disposal contract with Waste Management expires on December 31, 2019. That contract requires Metro to ensure that 90 percent of all the landfill-bound wet waste generated within Metro's jurisdiction is delivered to a Waste Management landfill for disposal. To ensure compliance with the terms of this contract, Metro established limits on the amounts of wet waste that each privately owned transfer station could receive each year and restricted the amounts of wet waste that could flow to non-Waste Management landfills to no more than ten percent annually. Metro has generally met or exceeded this contractual term in every contract year.

Starting in 2020, Metro will no longer guarantee a percentage of the region's garbage to any one company or landfill. Instead, Metro is securing disposal contracts only for the waste that is consolidated at its own transfer stations. This is anticipated to change the economics of garbage collection, hauling, transfer and disposal in the greater Portland area.

Currently, there is no systematic method for allocation of Metro's waste to the private stations. The allocations are not always predictable, often require ongoing negotiations with private operators, and make no claim to promote system efficiency. In addition, the current allocations do not account for regional population shifts or growth nor do they account for adding (or removing) transfer stations in the system. In short, staff does not believe that the current approach to allocating waste serves the public's interest.

In March, staff proposed a methodology to allocate the regional wet waste tonnage to private solid waste transfer stations beginning in 2020.<sup>1</sup> The methodology was developed to promote a more systematic, transparent, equitable and potentially efficient distribution of wet waste to the region's transfer stations. The proposed new approach for allocating waste to different transfer stations is as follows:

- Step 1: Map travel times to transfer stations to show baseline travel times from any point in the region to the nearest transfer station, using Metro's existing regional transportation model and established transportation analysis zones (TAZ).<sup>2</sup>
- Step 2: Define transfer station wastesheds based on areas most accessible to existing transfer stations.
- Step 3: Combine wastesheds where transfer stations are located in close proximity to each other to reduce arbitrary variations in allocations where transfer station are functionally serving the same area.
- Step 4: Estimate the wet waste generated in each combined wasteshed, based on population and employment data within each TAZ in the wasteshed.

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<sup>1</sup> See <https://www.oregonmetro.gov/wet-waste-allocation-study> for more information about the methodology.

<sup>2</sup> The March proposal relied on uncongested travel time for the analysis. Staff will continue working with stakeholders to ascertain the time most reflective of garbage trucks and hauling routes.

- Step 5: Calculate and adjust waste allocations to individual transfer stations based on anticipated waste generation; physical capacity of individual transfer stations; local government restrictions on size, traffic and land uses, and any other relevant enhancements or localized factors.

The proposed new approach to wet waste allocation is expected to reduce travel time, move toward greater system efficiency, and ensure that many companies can continue to play a role in the region's garbage system. This new approach encourages haulers to minimize off-route travel to reduce greenhouse gases and road wear from unnecessary truck travel, increase pedestrian safety, and provide other public benefits. This approach seeks to minimize system costs by requiring that all landfill-bound waste use a transfer station located within or very near Metro's jurisdictional boundary.

## SUMMARY OF RESPONSES

After the proposed tonnage allocation methodology was published in March, Metro staff met with each transfer station operator individually and as a group in April and June. Staff also briefed local government solid waste directors on several occasions and the Solid Waste Alternatives Advisory Committee (SWAAC) at its May and July meetings. Various comments and questions have been raised. The following is a high-level summary of the major concerns that were raised and staff's responses to those comments:

1. Metro developed this proposal too quickly and was not inclusive enough.

**Response:** The allocation method was developed internally at Metro over a period of several months and proposed in March 2018 with invitations for feedback in person and in writing. The goal is to have the necessary code and administrative rule changes in place by the end of 2018 so that a new wet waste transfer allocation approach is established well before 2020.

2. The model is too generalized.

**Response:** The tonnage allocation approach used in the proposed model is based on the "shortest travel time" rule, from the origin of the waste to the most proximate transfer station. This approach is generalized and intended to align with the Council objectives while being more systematic, straightforward, transparent, predictable and easily maintained over time. A much more complex empirical model could be constructed that would accomplish other goals such as better reflecting the "actual" regional system, allowing more accurate comparison of system performance from year to year, and better understanding the impact to the system if a new transfer station were to be added. It is critical to balance collecting new data with its practical application in improving the model. Staff recommend a more detailed evaluation of the model and an assessment of the data requirements necessary for its development.

3. Parking barns—where collection route trucks leave from and return to—should be included in the model.

**Response:** Parking barns can be an important consideration, especially when co-located with a transfer station, because that is where integrated operations expect to park collection vehicles after delivering the last load of the day. Metro staff appreciates the significance of certain barns, especially those that serve to maintain and repair collection vehicles and serve as compressed natural gas (CNG) fueling stations for fleets. However, a particular parking barn's level of influence on off-route travel time depends on many other factors including the number of routes a truck completes in a day and traffic issues that fluctuate during the day. In addition, parking barn locations change more over time than transfer stations.

4. There is not a universally preferred way to measure proximity to transfer stations to define wastesheds for all collectors.

**Response:** TAZs, which are smaller than census tracts, are the regionally accepted standard unit of analysis for modeling how different modes of transportation travel between multiple points for different purposes that indicate the most efficient ways for doing so. Metro, as the federally recognized metropolitan planning organization for the greater Portland area, develops and maintains a TAZ-based regional travel model for transportation planning and has many years of experience in modeling the flow of transportation throughout the region.

5. The model does not account for differential tip fees between transfer stations or cost efficiencies that may accrue to vertically integrated companies.

**Response:** In the past, tips fees at all stations were within a very narrow range – generally within one dollar per ton. Therefore, it made no appreciable difference for unaffiliated collectors to use one facility over another facility based on tip fees. Only recently have some stations begun to increase tip fees significantly. For instance, the Forest Grove and Troutdale Transfer Stations are currently charging nearly \$15 per ton more than tip fees at Metro’s public stations. Much higher tip fees at Forest Grove and Troutdale have forced some collectors to re-evaluate which station they use based on cost and travel time. Local government staff have also expressed the need for greater rate transparency at facilities that would better inform their rate setting process. More uniform rates at transfer stations throughout the region coupled with the proposed tonnage allocation method could encourage greater efficiencies in the flow of waste.

6. Out-of-region transfer stations should be considered part of the system.

**Response:** A few transfer stations located just outside the Metro regional boundary, including stations in Canby and Clark County, Washington, are currently authorized to receive small volumes of Metro area wet waste. The configuration policy included a plank that stated “wet waste generated in region should utilize the regional transfer system” as a way to “minimize inefficiencies.” Based on the analysis, out-of-region transfer stations were closer to only a very small percentage of the regions wet waste than transfer stations located inside the region. However, staff recognize that continuing to allow some nearby transfer stations to remain active in the regional system, at least for a transitional period, acknowledges the roles of local business and investments in the region’s waste system.

## **SUMMARY OF STAFF RECOMMENDATIONS**

This proposal begins to move the system closer to better clarity, transparency, predictability and efficiency in a post-2019 world. Staff looks forward to enhancing the model as more and better information is collected in the future. Accordingly, staff recommends the following enhancements to the model as a bridge to the development of a more complete model:

1. **Collect additional data to enhance the model** – In order to improve the approach for allocating tonnage, significantly more data is required. Additional data will also allow Metro to enhance the model in the future and, more importantly, allow Metro to more accurately determine whether system performance is improving from year-to-year. Therefore, beginning in 2019 or as soon as is practicable, staff recommends additional data be evaluated for inclusion in building a more robust model, such as:
  - *Expanded transactional information* -- all transfer stations could begin reporting route information to Metro from haulers on all transactions that indicate distance and time from the end of the route to the transfer station;
  - *Truck parking barns* – truck barn locations could be routinely reported to Metro by haulers and stations as they change. Barns could then be evaluated for inclusion in the

model, especially those barns that are co-located with a transfer station and include maintenance and repair and require overnight CNG fueling;

- *Congested travel time* – staff could work with the hauling industry to determine the optimum travel time for use in the model that most accurately reflects the traveling time for garbage trucks;
- *Truck routing* – staff could evaluate the inclusion of individual routes, the number of trips made to a transfer station during a typical day, and which truck routes might be better served by splitting its tonnage between transfer stations and parking barns; and
- *Fuller analysis of other relevant factors* – there are more data points that could be useful for development of the model, such as travel time to disposal sites, vertically integrated costs, wait time at transfer stations, and other factors. Staff could evaluate these factors to determine whether the benefit outweighs the cost of collecting more information.

2. **Allow tonnage allocation adjustments** – Staff recognize that, as with any new methodology, the proposed approach may create unintended results. Therefore, as part of the allocation process, staff recommends including two additional tools for considering small tonnage adjustments:

- *Tonnage transfers* – Private facilities may propose to shift small volumes of tonnage from one facility to another. Facilities would be limited to shifting tons that achieved a clear public benefit and that did not overwhelm another host community or create too disruptive of a shift. Metro would review and approve such proposals annually.
- *Tonnage reallocation* – Metro may consider reallocating additional tonnage out of its share (in excess of 40 percent) to private stations when it can be demonstrated that it would serve the public good. Metro would establish a process and timetable to review and approve such requests annually.

3. **Allow nearby out-of-district transfer stations to participate and receive a tonnage allocation** – Metro could establish a process to allow out-of-district transfer stations to formally become part of the regional transfer system. Currently, Canby (KB Recycling) and West Vancouver (Waste Connections) transfer stations receive some limited tonnage from the Metro region. To continue receiving wet waste tonnage in 2020, out-of-region stations would need to become part of the regional transfer system by:

- Becoming “designated” by the Metro Council to be part of the regional solid waste system;
- Entering into an agreement with Metro to receive a wet waste allocation from Metro;
- Agreeing to meet similar operational and regulatory standards as franchised transfer stations located inside the region;
- Collecting and remitting Metro fees and taxes on waste received that is generated inside the region; and
- Not significantly creating system inefficiencies or increased costs.

The establishment of five-year designated facility agreements has the added advantage of eliminating the need to issue wet waste non-system licenses every two years and align with the five year terms of transfer station franchises issued by Metro.

4. **Expand the use of variance authority** – Metro Code already includes “variances” as a tool for authorized facilities when the Metro Council or the COO finds it necessary to protect public health, safety or welfare. Variances are issued when meeting a particular requirement is inappropriate because of conditions beyond the applicant’s control or would be extremely impractical or burdensome due to special physical conditions or causes. Examples of when a variance might be appropriate include long term major road construction that disrupt normal routes to transfer stations, facility construction that would prolong wait times at routinely used transfer stations, or catastrophic events such as fires or earthquakes. Variances would be

issued for a specified time period. The variance tool could be expanded by Metro to include consideration of tonnage allocation changes.

### **CONCLUSION AND NEXT STEPS**

It is important to remember that, with the expiration of the current disposal contract, the regional solid waste system that we know today will be different beginning in 2020. Different constraints and drivers will influence behavior of the private sector in ways that cannot be entirely known. Multinational waste companies may consolidate small haulers and independent transfer stations in order to feed their own landfills, making it more difficult for local companies to remain in the system. Metro is charged with planning and ensuring that the region's waste system meets the needs of the public and that the system is resilient and adaptable. With many of the current system framework sidebars removed in 2020, Metro will need to assure the public that a variety of interests, such as those described on page 1 of this staff report, are still being met in the new system.

Metro will continue to consider franchise applications for new transfer stations or expanded tonnage capacity at existing transfer stations in accordance with Metro Code Chapter 5.01 or Metro Code Chapter 5.05 (in the case of out-of-region transfer stations seeking to become part of the regional system). Metro will continue to rely on the existing provisions in Sections 5.01.150 through 5.01.240 to consider new transfer stations located inside or outside the region. Metro may re-run the allocation model to better understand the impact of potential changes to the system including increased tonnage capacity or new stations in the system.

In summary, staff has developed an approach to allocating wet waste tonnage in 2020 that begins to create a clearer, more transparent, potentially efficient and predictable system. This proposed approach also helps to support small businesses. Staff recommends several additional enhancements that will help transition to a new allocation system through increased collection of relevant data and allowing for adjustments to the methodology.

### **QUESTIONS FOR METRO COUNCIL CONSIDERATION**

1. As Metro seeks to establish a more clear, transparent, efficient and predictable approach to allocating wet waste tonnage to transfer stations starting in 2020, does the Metro Council agree with staff's recommended approach, including the proposed enhancements?
2. If the Metro Council agrees with staff's recommendation, does it have questions or suggestions about any elements of this new approach or how it would be implemented?
3. Should staff prepare legislation for the Metro Council's consideration that would implement the proposed approach to wet waste tonnage allocation starting in 2020?

### **PACKET MATERIALS**

- Would legislation be required for Council action ☒ Yes ☐ No
- If yes, is draft legislation attached? ☐ Yes ☒ No